



# Homebuyer Rehabilitation Program

## PURPOSE

To assist low- to moderate-income homebuyers with the purchase and rehabilitation of substandard homes (homes that are in need of repair prior to being occupied)

## SOURCE OF FUNDS Community Development Block Grant ("CDBG")

## ELIGIBLE PROPERTIES

- Property must be located within the City limits of Raleigh. Preference is given to properties located in low-income census tract areas (map available upon request).
- Property shall not be located within a right-of-way of any future street or highway or any other public improvements that are being planned within a reasonably foreseeable time frame.
- Property must be either:  
A single-family home, individual townhome unit, or individual condo unit. In the case of condo and townhome units the rehabilitation would be for the borrower's unit only and the rest of the structure must meet required property standards.

OR

- A duplex (2 single family units within one structure), triplex (3 single family units within one structure), or quadplex (4 single family units within one structure) The complete multi-family structure must be purchased by the borrower and non-owner occupied units must be rented to qualified moderate to low income individuals and families at affordable prices. (For guidelines contact the Community Development office)
- Property must have one or more substandard conditions that prevents the property from being immediately occupied (i.e. substandard plumbing, electrical or heating systems, interior or exterior damage, etc.). The property must also be suitable for rehabilitation. (A property may be considered not suitable for rehabilitation if it is dilapidated or deteriorated beyond feasible economic repair.)
  - The appraised value of the property after rehabilitation cannot exceed the FHA one-family mortgage limit for the Raleigh MSA, which is \$224,200. (subject to change)
  - Property must become the owner's principal residence upon completion of the project and for the remaining terms of the loan. If any or all of the signatories (signors) of the loan move prior to the end of the loan terms, the loan becomes immediately due and payable.
  - Property must be purchased by an individual or family meeting the program income requirements (see Maximum Qualifying Income limits below).

## ELIGIBLE ACTIVITIES

Funds can be used to finance the following activities:

- Purchase of a dwelling and land on which the dwelling is located.
- The rehabilitation costs necessary to meet required property standards (i.e. the alteration, improvement or modification of an existing structure.)  
Rehabilitation may include the addition of a room(s) outside the existing walls of a structure, but adding a housing unit is considered new construction.
- Associated soft costs (i.e. closing costs, appraisals, fees, etc.)

## ELIGIBLE BORROWERS

- Credit – Borrower must have at least one year of satisfactory credit  
Rent payments and Student loans: no payments 30 days past due in the past year  
Revolving Credit (lines of credit like credit cards): No payments 60 days or more past due and no more than 2 payments 30 days past due in the past year  
Installment Credit (loans, car payments, mortgages, etc.) No payments 60 days or more past due and no more than 1 payment 30 days past due in the past year
- Housing to income ratio must not exceed 31% - Loan payment must be less than 31% of the total household income
- Debt to income ratio must not exceed 41% - Total debt service (mortgages, loans, used lines of credit) must be less than 41% of the total household income.
- Personal net asset limits apply  
The total value of other property owned, stocks, bonds, investments, and bank accounts can not exceed:

\$40,000	any person under the age of 62 and families that do <u>not</u> have a disabled or handicapped person requiring a constant attendant
\$50,000	persons age 62 through 64
\$60,000	persons age 65 and older
\$75,000	families with a disabled or handicapped person requiring a constant attendant

\*Retirement accounts – 401Ks, IRA, pension funds do not apply for people under the age of 62.





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## MAXIMUM QUALIFYING INCOME\*:

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Total household income is calculated by adding all of the gross income for every person 18 years of age and older who will be living in the home. \* maximum income amounts change each year, the chart below is for 2013

number of people in the household	total household income	number of people in the household	total household income
1 person	\$42,600.00	5 people	\$65,700.00
2 people	\$48,650.00	6 people	\$70,550.00
3 people	\$54,750.00	7 people	\$75,400.00
4 people	\$60,800.00	8 people	\$80,300.00

## MAXIMUM LOAN

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The total loan cannot exceed 95% of the property's current tax value or the estimated tax value after rehabilitation, if an appraisal determines that the qualified rehabilitation work will increase the tax value of the property.

## TERMS/RATE 30 years mortgage at 3%

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Monthly payments are principal and interest payments at 3% interest amortized over 30 years

## OTHER CONDITIONS AND EXCEPTIONS

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- Borrower is responsible for the preparation of the specifications for the work to be performed and securing a contractor. \*The City staff is available to provide technical assistance to the Borrower in obtaining a specification writer and going through the process of obtaining a contractor.
- The property must meet the City's minimum property standards at the completion of the rehabilitation.
- A copy of an executed Offer to Purchase and Contract should accompany the loan application.

## FEE \$25 nonrefundable application fee

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## ADMINISTRATION

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To apply for a loan, you may call (919) 996-4330, **TTY/TDD:** (919) 890-3107, or visit our office at 310 West Martin Street, Room 101.